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October 10, 2002

VIA ELECTRONIC FILING

Ms. Marlene Dortch
Secretary
Federal Communications Commission
The Portals
445 12th Street SW
Washington DC 20554

Re: CC Dockets No. 96-45, 98-171, 90-571, 92-237, 99-200, 96-116, 98-170, 02-33, 95-20, 98-10 and NSD File No. L-00-72.

On October 9, 2002, Whit Jordan (of BellSouth), David Hostetter, Jeff Brueggeman, and I (all on behalf of SBC Communications) met with Eric Einhorn, Acting Chief and Diane Law Hsu, Acting Deputy Chief of the Telecommunications Access Policy Division – Wireline Competition Bureau and Paul Garnett of the Wireline Competition Bureau regarding the Commission's ongoing proceedings in the above captioned dockets.

SBC and BellSouth discussed the results of their model, which is designed to calculate the impact of the SBC/BellSouth Joint Proposal, as well as the Coalition for Sustainable Universal Service (CoSUS) proposal. Please note that the modeling results attached hereto reflect a number of minor corrections from the version that was distributed at the meeting.[1] At the meeting, SBC and BellSouth expressed concern about the current service tiers and bandwidth capacity units reflected in both proposals. To address these concerns, SBC and BellSouth have modified their Joint Proposal to adjust the service tiers and bandwidth capacity units so they better reflect the relationship of basic services and special access services. These modifications and a number of other issues are discussed in more detail below.

1. SBC/BellSouth's Modified Bandwidth Capacity Units

In its original Joint Proposal, SBC and BellSouth proposed bandwidth capacity tiers that were similar to the capacity tiers that were proposed by CoSUS and referenced in the Commission's *Further NPRM*. We have modeled the impact of these bandwidth capacity units and are concerned about some of the results, which indicate that special access services would be assessed much less under the original SBC/BellSouth Joint Proposal or the CoSUS proposal than they currently are assessed under the Commission's revenue-based contribution methodology.

[1] In particular, we have adjusted how one-way and two-way pagers are treated under the *Joint Proposal*, included interstate transport connections provided to Lifeline end users in the contribution base, corrected the method calculation of the Modified Bandwidth Capacity Units, and made minor cosmetic adjustments to the presentation format.

This comparison was performed by estimating the interstate revenues generated by typical special access arrangements in the Southwestern Bell region and calculating a contribution obligation using the current USF contribution factor. We then compared the contribution obligation for various special access services with the contribution obligation produced by the original bandwidth capacity units. The results of this analysis show that the contribution obligation associated with basic residential and business voice services would be overstated as a result of understating the bandwidth capacity units for special access services.

SBC and BellSouth have modified the bandwidth capacity units to maintain approximately the same proportionate contribution obligation for basic and high-capacity services as exists today. SBC and BellSouth achieved this by calculating the percentage change in the estimated revenue-based contribution obligation between basic services and various special access service tiers and applying these same proportionate changes to the bandwidth capacity units. The modified SBC/BellSouth Joint Proposal also includes a new service tier for 56 kbps switched voice services, as well as new service tiers for optical level services. The following chart is a comparison of the original and modified proposals for bandwidth capacity units:

	Original Proposal	Modified Proposal
One-way paging	½	½
Asymmetrical (≤ 6 Mbps)	1	1
Asymmetrical (≥6 Mbps)	2	2
Centrex (≤ 64 Kbps)	1/9	1/9
≤ 56 kbps (Switched Voice)	1	1
≤ 64 kbps	1	25
> 64 kbps, < 1.544 Mbps	5	31
≥ 1.544 Mbps, < 45 Mbps	40	38
45 Mbps	40	485
OC3	40	948
OC12	40	1,742
OC24	40	2,921
OC48	40	4,100
OC192	40	9,750

The modified bandwidth capacity units are designed to replicate the consistency and equity of a revenue-based contribution methodology without the practical problems inherent in such a methodology.

2. Modeling Results Confirm the Benefits of the SBC/BellSouth Joint Proposal

The results of the modeling performed by SBC and BellSouth confirm the end user and policy benefits of their proposed contribution mechanism. *First*, the modeling results illustrate the benefit to residential local voice customers of broadening the contribution base. By distributing the contribution obligation broadly among various technologies and services, the modified SBC BellSouth Joint Proposal generates a relatively low contribution obligation of only $0.43 for a residential local voice line (or $0.86 for a residential local voice line and interstate long distance

service). It achieves this without relying on a cap or artificial residential/business contribution categories, which is the mechanism that CoSUS uses to achieve a low residential USF charge. *We believe a broad contribution base is the most effective way to minimize the burden on residential customers that purchase basic telephone service*.

Second, the modeling results show that the modified SBC/BellSouth Joint Proposal achieves the same consistency as the current revenue-based contribution methodology. By adjusting the bandwidth capacity units to roughly reflect the relative contribution obligation generated by various services on a revenue basis, the modified SBC/BellSouth Joint Proposal ensures that a provider's contribution obligation is more closely tied to the level of its interstate retail telecommunications activity. Moreover, low-income end users can minimize the amount of their USF charges by not presubscribing to an IXC and not purchasing additional services (*e.g.*, wireless service and high-speed Internet access service). Thus, the SBC/BellSouth approach addresses concerns raised by consumer groups and state regulators that a connection-based methodology imposes an unreasonable burden on end users with low interstate usage.

Third, the modeling results show that the SBC/BellSouth Joint Proposal is competitively and technologically neutral. It produces comparable contribution obligations for competing and functionally equivalent services, including CLEC services, CMRS and various broadband services. The SBC/BellSouth Joint proposal is a significant improvement over the current revenue-based contribution methodology, which creates lag problems for IXCs and ILECs that are experiencing interstate revenue reductions, understates the contribution obligation of CMRS providers, allows CLECs to self-declare how much interstate revenue is subject to a contribution and is not easily applied to bundled service offerings or new services such as voice-over-the-Internet.

3. Universal Service Reform Must Fulfill the Statutory Requirements of Section 254

In assessing various proposals to reform the universal service contribution and recovery mechanism, the Commission must give paramount consideration to the statutory requirements and objectives of Section 254. It cannot ignore these requirements in the interest of administrative efficiency and convenience. *The Commission's primary objective should be to broaden the contribution base in order so that all providers of interstate telecommunications contribute to universal service on an equitable and nondiscriminatory basis and the amount of universal service support remains sufficient and predictable in a rapidly changing market.*

The SBC BellSouth Joint proposal satisfies the requirement of Section 254(d) that *every* telecommunications carrier providing interstate telecommunications must contribute, on an equitable and nondiscriminatory basis, to the mechanisms established by the Commission to preserve and advance universal service. We agree with CoSUS that the Commission can exercise some discretion under Section 254(d) to determine which services are included in the contribution base, such as when it exempted wholesale telecommunications services in order to avoid the "double payment" problem that would otherwise result. But we strongly disagree with CoSUS that Section 254(d) can be read to give the Commission *carte blanche* authority to adopt a contribution mechanism that results in entire categories of interstate services and providers avoiding a contribution obligation, so long as the mechanism nominally applies to all interstate

telecommunications carriers. CoSUS' interpretation effectively reads the "every telecommunications carrier" provision of Section 254(d) out of the statute, and it plainly contravenes Congress' intent to establish a broad and stable contribution base for universal service. Moreover, even if it were to accept CoSUS' strained statutory interpretation, the Commission would still have a statutory obligation to demonstrate that its contribution mechanism satisfies the "equitable and nondiscriminatory" provision of Section 254(d), which imposes meaningful limitations on the Commission's discretion.

Section 254(d) should properly be read as establishing a presumption that every interstate telecommunications service must generate a contribution obligation on the part of the carrier providing the service, unless the Commission expressly determines that the carrier satisfies the narrow criteria of the *de minimis* exemption or that the exclusion of a service will result in "equitable and nondiscriminatory" contributions on the part of carriers offering interstate telecommunications services that *are* subject to a contribution. Therefore, the only way for the Commission to demonstrate compliance with Section 254(d) is to consider the aggregate impact of its contribution mechanism and determine that it produces an "equitable and nondiscriminatory" obligation on the part of all interstate telecommunications carriers. In this proceeding, IXCs, CMRS providers, various broadband providers and payphone providers have all advocated in favor of self-serving proposals that reduce or eliminate their own contribution obligation. *The net result of these proposals would be to shift an excessive amount of the burden of universal service contributions to one category of provider — ILECs.* Such an outcome could not conceivably result in a contribution mechanism that satisfies the requirements of Section 254(d).

The Commission also has recognized that its contribution mechanism must be competitively neutral to satisfy the statutory requirements of Section 254(d). There are a number of areas where the existing contribution mechanism is not competitively neutral. Specifically, the Commission must take immediate action to eliminate the disparity in the assessment of wireline broadband Internet access services and competing cable broadband Internet access services. If the Commission does not take action to include all broadband Internet access services in the contribution base, then it must provide interim relief in this proceeding by declaring that wireline broadband Internet access services are not subject to a contribution obligation. There is a sufficient record in this proceeding for the Commission to grant such relief and CoSUS supports such an approach in its comments and draft rules.

Moreover, the Commission must eliminate other competitive disparities created by the current contribution mechanism. For example, ILECs contribute based on a strict 25% allocation of their local loop costs, while CLECs have total flexibility to declare the amount of interstate revenue that is subject to a contribution. Likewise, CMRS providers enjoy the benefits of a safe harbor that allows them to contribute based on 15% of their revenues or their actual interstate revenues, whichever is lower. These providers also enjoy total freedom to recover their contributions from end users in any manner they choose, which creates the potential for improper shifting of recovery between customer classes. *The Commission must establish a consistent contribution and recovery process for competing providers of interstate telecommunications to eliminate these competitive disparities. As a general principle, the USF charge should not impact a customer's choice of service provider for any interstate telecommunications*

In addition, Section 254(d) requires that the Commission ensure that its contribution mechanism produces a sufficient and predictable amount of universal service funding. SBC and BellSouth have consistently stated that the best way to achieve this result is by expanding the contribution base. The Commission cannot exclude services or providers from the contribution base unless it demonstrates that its contribution mechanism will still provide adequate funding to preserve and advance universal service. For example, SBC and BellSouth have raised the concern that the Commission's failure to expand the contribution base to include various broadband services — which increasingly are being used to bypass the public telephone network — would threaten the stability of the universal service fund. *Moreover, a shrinking contribution base, combined with steadily growing demand for universal service support would impose a heavy and every-increasing burden on residential local voice customers who do not migrate to alternative services and technology platforms. These are the very customers that the universal service program is designed to protect.*

4. CoSUS' Vague Practical Concerns Regarding SBC/BellSouth Joint Proposal are Vastly Overblown

CoSUS' primary criticism of the SBC/BellSouth Joint Proposal is that it is administratively complex and burdensome for IXCs. As previously stated, the Commission clearly cannot ignore the statutory objectives and requirements of Section 254(d) in the name of administrative efficiency or simplicity. Moreover, the Commission should be skeptical of claims by IXCs, which historically were the sole contributors to universal service, that *any* contribution responsibility for their interstate long distance services is unacceptable and unworkable.

In any event, the vague practical concerns that CoSUS has raised are vastly overblown. CoSUS continues to mischaracterize the SBC/BellSouth Joint Proposal as imposing a contribution obligation on IXCs that is determined based on the number of and capacity of access connections provided by the LEC. As SBC and BellSouth previously explained, CoSUS is wrong. *Under the SBC/BellSouth Joint proposal, an IXC can determine its contribution obligation based on basic end user information that must be in its possession in order for the IXC to provide service and to bill its end users. There is no need for the IXC to obtain any additional information from the LEC.*

Under the SBC/BellSouth Joint Proposal, an IXC's contribution obligation is determined based on the number of connections it provides to its interstate transport network. In the case of switched voice services, an IXC provides an interstate transport connection when it serves as an end user's primary long distance provider, which allows the end user to connect to the IXC's interstate transport network on a "1+" basis. Residential end users must establish a primary long distance provider relationship for each line over which "1+" interstate transport connections are desired. IXCs are able to collect a great deal of information about the vast majority of their residential end users through routine contacts with IXC service centers to establish service. For example, residential end users contact their IXC directly to obtain pricing information and to select a particular long distance pricing plan. When a residential end user informs an IXC service center that it has selected that IXC as its primary long distance provider, then the IXC must notify the end user's LEC that it is the new long distance provider. This notification

triggers the necessary changes to the end user's line in the LEC end office switch that enable "1+" interstate transport connections. Clearly, an IXC must have basic information about the residential end user's line, including the name of the customer and the telephone number associated with each line, to request this change.

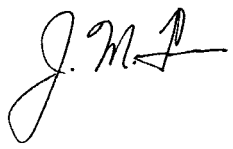
Residential end users also may designate IXCs as their primary long distance providers at the time they contact their LEC's customer service center to establish, or make changes to, their local service. In order to establish a billing relationship, however, the IXC must receive basic customer name and address information from the end user's LEC. IXCs typically receive information about these residential end users from Customer Account Record Exchange (CARE) reports generated by a LEC. If CARE is not utilized, then the IXC and the LEC must establish an alternative means of transmitting this information. The SBC/BellSouth Joint Proposal does not require IXCs to obtain any additional information about residential end users from LECs to determine their contribution obligation or assess a USF charge.

In the case of business end users, the contribution and recovery process works the same way. There are a relatively small percentage of service configurations that are more complicated than a basic residential end user service arrangement (*e.g.*, Centrex and ISDN). However, an IXC will almost certainly have direct contact with its business end user at the time service is established, and thus it will be in a position to collect any additional information directly from the end user. Indeed, IXCs already have dedicated sales teams that conduct ongoing sales contacts and account maintenance contacts with their business end users. If the Commission deems it necessary, it can require IXCs to obtain certifications from their end users for service arrangements where there may be some question as to the appropriate contribution level. This process can be conducted solely between an IXC and its business end user without any involvement on the part of a LEC.

CoSUS also questions the ability of IXCs to obtain Lifeline information about residential end users. The SBC/BellSouth Joint Proposal, however, does not change how the universal service contribution mechanism deals with Lifeline customers. The Commission's existing Lifeline program applies only to local service and does not include interstate long distance services. Accordingly, LECs should not contribute on access connections provided to Lifeline customers and there is no reason to create any contribution exemption for IXCs that applies to Lifeline customers. If the Commission ever decides that IXCs should be required to offer discounted long-distance service for Lifeline customers, then it can consider whether it would also be appropriate to exempt Lifeline customers from IXC contributions.

In accordance with Section 1.1206 of the Commission's rules, this letter and the attached are being filed in each of the above referenced dockets via the Commission's ECFS system. Should you have any questions regarding the attached, please do not hesitate to contact me by whatever means are most convenient for you.

Sincerely,



Attachments

Cc: Eric Einhom
Diane Law Hsu
Paul Garnett

SBC/BellSouth USF Assessment Estimates
Access Component Only

	Estimated Interstate Revenues	Assessment - Current Method.	% Assessment	Run 1 Original Joint Proposal	Run 1 Capacity Units	Run 1 % Assessment	Run 2 Modified Joint Proposal	Run 2 Capacity Units	Run 2 % Assessment
56 Kbps - Voice	6.00	$ 0.44	7.28%	$ 0.57	1	9.5%	$ 0.43	1	7.2%
Special Access @ DS0	151.00	$ 10.99	7.28%	$ 0.57	1	0.4%	$ 10.92	25	7.2%
Special Access @ DS1	225.00	$ 16.38	7.28%	$ 2.86	5	1.3%	$ 16.28	38	7.2%
Special Access @ DS3	2,911.00	$ 211.94	7.28%	$ 22.86	40	0.8%	$ 210.60	485	7.2%
OC3	5,686.00	$ 413.97	7.28%	$ 22.86	40	0.4%	$ 411.35	948	7.2%
OC12	10,450.00	$ 760.81	7.28%	$ 22.86	40	0.2%	$ 756.00	1,742	7.2%
OC24	17,525.00	$ 1,275.91	7.28%	$ 22.86	40	0.1%	$ 1,267.84	2,921	7.2%
OC48	24,600.00	$ 1,791.00	7.28%	$ 22.86	40	0.1%	$ 1,779.68	4,100	7.2%
OC192	58,500.00	$ 4,259.09	7.28%	$ 22.86	40	0.0%	$ 4,232.16	9,750	7.2%

	Estimated Interstate Revenues	Assessment - Current Method.	% Assessment	Run 3 Modified Joint Proposal (excl. BB and ISPs)	Run 3 Capacity Units	Run 3 % Assessment
56 Kbps - Voice	6.00	$ 0.44	7.28%	$ 0.49	1	8.2%
Special Access @ DS0	151.00	$ 10.99	7.28%	$ 12.39	25	8.2%
Special Access @ DS1	225.00	$ 16.38	7.28%	$ 18.46	38	8.2%
Special Access @ DS3	2,911.00	$ 211.94	7.28%	$ 238.88	485	8.2%
OC3	5,686.00	$ 413.97	7.28%	$ 466.60	948	8.2%
OC12	10,450.00	$ 760.81	7.28%	$ 857.54	1,742	8.2%
OC24	17,525.00	$ 1,275.91	7.28%	$ 1,438.13	2,921	8.2%
OC48	24,600.00	$ 1,791.00	7.28%	$ 2,018.71	4,100	8.2%
OC192	58,500.00	$ 4,259.09	7.28%	$ 4,800.59	9,750	8.2%

CoSUS USF Assessment Estimates
Access Component Only
(SBC/BellSouth Data)

				Run 4			Run 5		
	Estimated Interstate Revenues	Assessment - Current Method.	% Assessment	CoSUS	Capacity Units	% Assessment	Modified CoSUS	Capacity Units	% Assessment
56 Kbps - Voice	6.00	$ 0.44	7.28%	$ 1.00	n/a	16.7%	$ 0.82	1	13.7%
Special Access @ DS0	151.00	$ 10.99	7.28%	$ 3.01	1	2.0%	$ 20.69	25	13.7%
Special Access @ DS1	225.00	$ 16.38	7.28%	$ 15.05	5	6.7%	$ 30.83	38	13.7%
Special Access @ DS3	2,911.00	$ 211.94	7.28%	$ 120.39	40	4.1%	$ 398.81	485	13.7%
OC3	5,686.00	$ 413.97	7.28%	$ 120.39	40	2.1%	$ 778.99	948	13.7%
OC12	10,450.00	$ 760.81	7.28%	$ 120.39	40	1.2%	$ 1,431.66	1,742	13.7%
OC24	17,525.00	$ 1,275.91	7.28%	$ 120.39	40	0.7%	$ 2,400.95	2,921	13.7%
OC48	24,600.00	$ 1,791.00	7.28%	$ 120.39	40	0.5%	$ 3,370.23	4,100	13.7%
OC192	58,500.00	$ 4,259.09	7.28%	$ 120.39	40	0.2%	$ 8,014.57	9,750	13.7%

				Run 6		
	Estimated Interstate Revenues	Assessment - Current Method.	% Assessment	Modified CoSUS (w/o BB & ISPs)	Capacity Units	% Assessment
56 Kbps - Voice	6.00	$ 0.44	7.28%	$ 0.84	1	14.1%
Special Access @ DS0	151.00	$ 10.99	7.28%	$ 21.23	25	14.1%
Special Access @ DS1	225.00	$ 16.38	7.28%	$ 31.63	38	14.1%
Special Access @ DS3	2,911.00	$ 211.94	7.28%	$ 409.20	485	14.1%
OC3	5,686.00	$ 413.97	7.28%	$ 799.28	948	14.1%
OC12	10,450.00	$ 760.81	7.28%	$ 1,468.95	1,742	14.1%
OC24	17,525.00	$ 1,275.91	7.28%	$ 2,463.48	2,921	14.1%
OC48	24,600.00	$ 1,791.00	7.28%	$ 3,458.01	4,100	14.1%
OC192	58,500.00	$ 4,259.09	7.28%	$ 8,223.31	9,750	14.1%

10/10/02

Run 1 - Original Joint Proposal

10/10/02

Service Category	Demand	Demand Annualized	Bandwidth Capacity Units	Access Units	Interstate Transport Units	Total Units	Notes
1-Way Paging	9,000,000	108,000,000	0.5	54,000,000	n/a	54,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
Asymmetrical ≤ 6Mbps	12,792,812	153,513,744	1.0	153,513,744	153,513,744	307,027,488	From FCC's High-Speed Data Report
Asymmetrical >6Mbps	-	-	2.0	-	-	0	
Services ≤ 64 Kbps							
Centrex*	n/a	203,309,657	0.1	22,589,962	22,589,962	45,179,924	
Single-Line + Multi-Line Business (Excl. Centrex)*	n/a	513,983,919	1.0	513,983,919	513,983,919	1,027,967,837	Includes lines purchased by payphone providers.
Special Access*	n/a	11,908,223	1.0	11,908,223	5,954,112	17,862,335	
						0	
Residential*	n/a	1,472,744,009	1.0	1,472,744,009	1,178,195,207	2,650,939,216	Assumed 80% Presubscription
Lifeline	6,158,579	73,902,948	1.0	n/a	59,122,358	59,122,358	Telephone Trends: Table 7.2, (80% presubscription assumed)
						0	
Residential Cable Telephony	1,500,000	18,000,000	1.0	18,000,000	18,000,000	36,000,000	http://www.ncta.com/industry_overview/indStat.cfm?indOverviewID=2
						-	
Wireless Telephony	128,374,512	1,540,494,144	1.0	1,540,494,144	1,540,494,144	3,080,988,288	7th CMRS Report - Table 1: CTIA Annual Mob. Tel. Ind. Survey
2-Way Paging	9,000,000	108,000,000	1.0	108,000,000	108,000,000	216,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
						0	
Dial-Up ISP	54,500,000	654,000,000	1.0	n/a	654,000,000	654,000,000	http://dc.internet.com/news/article.php/2101_981831
Wireless Data	10,000,000	120,000,000	1.0	n/a	120,000,000	120,000,000	Demand from 7th CMRS Report, Access assumed zero as a conservative estimate
Services > 64 Kbps, < 1.544 Mbps							
ISDN - BRI*	n/a	19,649,796	2.0	39,299,592	39,299,592	78,599,183	
Special Access*	n/a	4,262,631	2.0	8,525,262	4,262,631	12,787,892	
Services ≥ 1.544 Mbps, < 45 Mbps							
ISDN - PRI*	n/a	10,475,690	5.0	52,378,451	52,378,451	104,756,902	Consistent with FCC treatment of ISDN as a switched voice service, PRI should be assigned 5 capacity unit
Special Access*	n/a	21,475,029	5.0	107,375,143	53,687,571	161,062,714	
Services ≥ 45 Mbps							
Special Access, excluding SONET*	n/a	1,053,434	40.0	42,137,370	21,068,685	63,206,054	
OC3*	n/a	108,708	40.0	4,348,337	2,174,169	6,522,506	
OC12*	n/a	37,084	40.0	1,483,344	741,672	2,225,016	
OC24*	n/a	3,384	40.0	135,374	67,687	203,061	SONET capacity units as proposed in SBC/BellSouth's original Joint Proposal
OC48*	n/a	25,467	40.0	1,018,681	509,341	1,528,022	
OC192*	n/a	714	40.0	28,571	14,286	42,857	
Industry Bandwidth Capacity Units						**8,700,021,653**	
Dial Around Revenues						7,027,125,000	FCC Fact Sheet Dial-Around is 7.5% of LD Market, Table 16.4 Estimates LD Market at $93.6B
Calling Card Revenues						3,900,000,000	IDC Report - U.S. Prepaid Calling Card Market Forecast and Analysis 2000-2005
Total Occasional Use Revenues						10,927,125,000	
Occasional Use Contributions @ 7.2805% (Assumed 50% Interstate Allocation)						397,774,668	
Estimated Fund Size 2001 (Ann. 4q01 Trend)	1,342,295,000	5,369,180,000				5,369,180,000	
Residual Fund Size						4,971,405,332	
Per Connection Charge						**0.57**	

* Data is from a large LEC data collection effort, rolled up to account for a 8.68% switched access share and a 2% special access share for small LECs, and a 10.2% CLEC share for switched access, and a conservative 28% CLEC share of special access.

Run 2 - Modified Joint Proposal

10/10/02

Service Category	Demand	Demand Annualized	Bandwidth Capacity Units	Access Units	Interstate Transport Units	Total Units	Notes
1-Way Paging	9,000,000	108,000,000	0.5	54,000,000	n/a	54,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
Asymmetrical ≤ 6Mbps	12,792,812	153,513,744	1.0	153,513,744	153,513,744	307,027,488	From FCC's High-Speed Data Report
Asymmetrical >6Mbps	-	-	2.0	-	-	0	
Services < 64 Kbps							
Centrex*	n/a	203,309,657	0.1	22,589,962	22,589,962	45,179,924	
Single-Line + Multi-Line Business (Excl. Centrex)*	n/a	513,983,919	1.0	513,983,919	513,983,919	1,027,967,837	Includes lines purchased by payphone providers.
Residential*	n/a	1,472,744,009	1.0	1,472,744,009	1,178,195,207	2,650,939,216	Assumed 80% Presubscription
Lifeline	6,158,579	73,902,948	1.0	n/a	59,122,358	59,122,358	Telephone Trends: Table 7.2, (80% presubscription assumed)
Residential Cable Telephony	1,500,000	18,000,000	1.0	18,000,000	18,000,000	36,000,000	http://www.ncta.com/industry_overview/indStat.cfm?indOverviewID=2
Wireless Telephony	128,374,512	1,540,494,144	1.0	1,540,494,144	1,540,494,144	3,080,988,288	7th CMRS Report - Table 1: CTIA Annual Mob. Tel. Ind. Survey
2-Way Paging	9,000,000	108,000,000	1.0	108,000,000	108,000,000	216,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
Dial-Up ISP	54,500,000	654,000,000	1.0	n/a	654,000,000	654,000,000	http://dc.internet.com/news/article.php/2101_981831
Wireless Data	10,000,000	120,000,000	1.0	n/a	120,000,000	120,000,000	Demand from 7th CMRS Report, Conservative est. no access
Special Access ≤ 64 Kbps							
Special Access*	n/a	11,908,223	25	299,690,279	149,845,139	449,535,418	
Services > 64 Kbps, < 1.544 Mbps							
ISDN - BRI*	n/a	19,649,796	1	19,649,796	19,649,796	39,299,592	Consistent with FCC treatment of ISDN as a switched voice service, BRI should be assigned 1 capacity unit
Special Access*	n/a	4,262,631	31	133,562,430	66,781,215	200,343,646	
Services ≥ 1.544 Mbps, < 45 Mbps							
ISDN - PRI*	n/a	10,475,690	5	52,378,451	52,378,451	104,756,902	Consistent with FCC treatment of ISDN as a switched voice service, PRI should be assigned 5 capacity unit
Special Access*	n/a	21,475,029	38	805,313,569	402,656,785	1,207,970,354	
Services ≥ 45 Mbps							
Special Access, excluding SONET*	n/a	1,053,434	485	511,091,179	255,545,590	766,636,769	
OC3*	n/a	108,708	948	103,019,351	51,509,676	154,529,027	
OC12*	n/a	37,084	1742	64,587,262	32,293,631	96,880,893	SONET capacity units have been revised since SBC/BellSouth's original comments. In this model, Special Access Services are weighted relative to the interstate revenue associated with the service.
OC24*	n/a	3,384	2921	9,885,133	4,942,567	14,827,700	
OC48*	n/a	25,467	4100	104,414,835	52,207,418	156,622,253	
OC192*	n/a	714	9750	6,964,286	3,482,143	10,446,429	
Industry Bandwidth Capacity Units						**11,453,074,093**	
Dial Around Revenues						7,027,125,000	FCC Fact Sheet Dial-Around is 7.5% of LD Market, Table 16.4 Estimates LD Market at $93.6B
Calling Card Revenues						3,900,000,000	IDC Report - U.S. Prepaid Calling Card Market Forecast and Analysis 2000-2005
Total Occasional Use Revenues						10,927,125,000	
Occasional Use Contributions @ 7.2805% (Assumed 50% Interstate Allocation)						397,774,668	
Estimated Fund Size 2001 (Ann. 4q01 Trend)	1,342,295,000	5,369,180,000				5,369,180,000	
Residual Fund Size						4,971,405,332	
Per Connection Charge						**0.43**	

* Data is from a large LEC data collection effort, rolled up to account for a 8.68% switched access share and a 2% special access share for small LECs, and a 10.2% CLEC share for switched access, and a conservative 28% CLEC share of special access.

Run 3 - Modified Joint Proposal (w/o BB and ISPs)

10/10/02

Service Category	Demand	Demand Annualized	Bandwidth Capacity Units	Access Units	Interstate Transport Units	Total Units	Notes
1-Way Paging	9,000,000	108,000,000	0.5	54,000,000	n/a	54,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
						-	
Asymmetrical ≤ 6Mbps	12,792,812	153,513,744	0.0	-	-	0	From FCC's High-Speed Data Report
Asymmetrical >6Mbps		-	0.0	-	-	0	
						-	
Services < 64 Kbps							
Centrex*	n/a	203,309,657	0.1	22,589,962	22,589,962	45,179,924	
Single-Line + Multi-Line Business (Excl. Centrex)*	n/a	513,983,919	1.0	513,983,919	513,983,919	1,027,967,837	Includes lines purchased by payphone providers.
						0	
Residential*	n/a	1,472,744,009	1.0	1,472,744,009	1,178,195,207	2,650,939,216	Assumed 80% Presubscription
Lifeline	6,158,579	73,902,948	1.0	n/a	59,122,358	59,122,358	Telephone Trends: Table 7.2, (80% presubscription assumed)
						0	
Residential Cable Telephony	1,500,000	18,000,000	1.0	18,000,000	18,000,000	36,000,000	http://www.ncta.com/industry_overview/indStat.cfm?indOverviewID=2
						-	
Wireless Telephony	128,374,512	1,540,494,144	1.0	1,540,494,144	1,540,494,144	3,080,988,288	7th CMRS Report - Table 1: CTIA Annual Mob. Tel. Ind. Survey
2-Way Paging	9,000,000	108,000,000	1.0	108,000,000	108,000,000	216,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
						0	
Dial-Up ISP	54,500,000	654,000,000	0.0	n/a	-	0	http://dc.internet.com/news/article.php/2101_981831
Wireless Data	10,000,000	120,000,000	0.0	n/a	-	0	Demand from 7th CMRS Report
						0	
Special Access ≤ 64 Kbps							
Special Access*	n/a	11,908,223	25	299,690,279	149,845,139	449,535,418	
						-	
Services > 64 Kbps, < 1.544 Mbps							
							Consistent with FCC treatment of ISDN as a switched voice service, BRI
ISDN - BRI*	n/a	19,649,796	1	19,649,796	19,649,796	39,299,592	should be assigned 1 capacity unit
Special Access*	n/a	4,262,631	31	133,562,430	66,781,215	200,343,646	
						-	
Services ≥ 1.544 Mbps, < 45 Mbps							
							Consistent with FCC treatment of ISDN as a switched voice service, PRI
ISDN - PRI*	n/a	10,475,690	5	52,378,451	52,378,451	104,756,902	should be assigned 5 capacity unit
Special Access*	n/a	21,475,029	38	805,313,569	402,656,785	1,207,970,354	
						-	
Services ≥ 45 Mbps							
Special Access, excluding SONET*	n/a	1,053,434	485	511,091,179	255,545,590	766,636,769	
						-	
OC3*	n/a	108,708	948	103,019,351	51,509,676	154,529,027	
OC12*	n/a	37,084	1742	64,587,262	32,293,631	96,880,893	SONET capacity units have been revised since SBC/BellSouth's original
OC24*	n/a	3,384	2921	9,885,133	4,942,567	14,827,700	comments. In this model, Special Access Services are weighted relative to
OC48*	n/a	25,467	4100	104,414,835	52,207,418	156,622,253	the interstate revenue associated with the service.
OC192*	n/a	714	9750	6,964,286	3,482,143	10,446,429	
Industry Bandwidth Capacity Units						**10,096,924,246**	
Dial Around Revenues						7,027,125,000	FCC Fact Sheet Dial-Around is 7.5% of LD Market, Table 16.4 Estimates LD Market at $93.6B
Calling Card Revenues						3,900,000,000	IDC Report - U.S. Prepaid Calling Card Market Forecast and Analysis 2000-2005
Total Occasional Use Revenues						10,927,125,000	
Occasional Use Contributions @ 7.2805% (Assumed 50% Interstate Allocation)						397,774,668	
Estimated Fund Size 2001 (Ann. 4q01 Trend)	1,342,295,000	5,369,180,000				5,369,180,000	
Residual Fund Size						4,971,405,332	
Per Connection Charge						**0.49**	

* Data is from a large LEC data collection effort, rolled up to account for a 8.68% switched access share and a 2% special access share for small LECs, and a 10.2% CLEC share for switched access, and a conservative 28% CLEC share of special access.

Run 4 - CoSUS Model
(SBC/BellSouth Data)

	Annualized Demand - EOY 2001		Contribution/Unit	Total Contribution
Residential Connections	1,472,744,009	$	1.00	$1,472,744,009
Wireless Handsets	1,540,494,144	$	1.00	$1,540,494,144
Pagers	18,000,000	$	0.25	$4,500,000
			Residential Contribution	$3,017,738,153
			Fund Size (4q01 Trend)	$5,369,180,000
			Business Residual	$2,351,441,847

	Annual Demand	Tier Weighting	Total Units
Tier 1 Connections (< 1.5 Mbps)	549,804,568	1.00	549,804,568
Centrex	203,309,657	0.11	22,589,962
Tier 2 Connections (≥ 1.5 Mbps, < 45 Mbps)	31,950,719	5.00	159,753,593
Tier 3 Connections (≥ 45 Mbps)	1,228,792	40.00	49,151,677
		Business Contribution Units	781,299,801

Service		Contribution
Tier 1	$	3.01
Centrex	$	0.33
Tier 2	$	15.05
Tier 3	$	120.39

Run 5 - Modified CoSUS Proposal

10/10/02

Service Category	Demand	Demand Annualized	Bandwidth Capacity Units	Access Units	Interstate Transport Units	Total Units	Notes
1-Way Paging	18,000,000	216,000,000	0.5	108,000,000		108,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
Asymmetrical ≤ 6Mbps	12,792,812	153,513,744	1.0	153,513,744	n/a	153,513,744	From FCC's High-Speed Data Report
Asymmetrical >6Mbps	-	-	2.0	-	-	0	
Services < 64 Kbps							
Centrex*	n/a	203,309,657	0.1	22,589,962	n/a	22,589,962	
Single-Line + Multi-Line Business (Excl. Centrex)*	n/a	513,983,919	1.0	513,983,919	n/a	513,983,919	Includes lines purchased by payphone providers.
Residential*	n/a	1,472,744,009	1.0	1,472,744,009	n/a	1,472,744,009	Assumed 80% Presubscription
Lifeline	6,158,579	73,902,948	1.0	n/a	n/a	0	Telephone Trends: Table 7.2, (80% presubscription assumed)
Residential Cable Telephony	1,500,000	18,000,000	1.0	18,000,000	n/a	18,000,000	http://www.ncta.com/industry_overview/indStat.cfm?indOverviewID=2
Wireless Telephony	128,374,512	1,540,494,144	1.0	1,540,494,144	n/a	1,540,494,144	7th CMRS Report - Table 1: CTIA Annual Mob. Tel. Ind. Survey
2-Way Paging	9,000,000	108,000,000	1.0	108,000,000	n/a	108,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
Dial-Up ISP	54,500,000	654,000,000	1.0	-	n/a	0	http://dc.internet.com/news/article.php/2101_981831
Wireless Data	10,000,000	120,000,000	1.0	n/a	n/a	0	Demand from 7th CMRS Report, Conservative est. no access
Special Access ≤ 64 Kbps							
Special Access*	n/a	11,908,223	25	299,690,279	n/a	299,690,279	
Services > 64 Kbps, < 1.544 Mbps							
ISDN - BRI*	n/a	19,649,796	1	19,649,796	n/a	19,649,796	Consistent with FCC treatment of ISDN as a switched voice service, BRI should be assigned 1 capacity unit
Special Access*	n/a	4,262,631	31	133,562,430	n/a	133,562,430	
Services ≥ 1.544 Mbps, < 45 Mbps							
ISDN - PRI*	n/a	10,475,690	5	52,378,451	n/a	52,378,451	Consistent with FCC treatment of ISDN as a switched voice service, PRI should be assigned 5 capacity unit
Special Access*	n/a	21,475,029	38	805,313,569	n/a	805,313,569	
Services ≥ 45 Mbps							
Special Access, excluding SONET*	n/a	1,053,434	485	511,091,179	n/a	511,091,179	
OC3*	n/a	108,708	948	103,019,351	n/a	103,019,351	
OC12*	n/a	37,084	1742	64,587,262	n/a	64,587,262	SONET capacity units have been revised since SBC/BellSouth's original comments. In this model, Special Access Services are weighted relative to the interstate revenue associated with the service.
OC24*	n/a	3,384	2921	9,885,133	n/a	9,885,133	
OC48*	n/a	25,467	4100	104,414,835	n/a	104,414,835	
OC192*	n/a	714	9750	6,964,286	n/a	6,964,286	
Industry Bandwidth Capacity Units						**6,047,882,350**	
Dial Around Revenues						7,027,125,000	FCC Fact Sheet Dial-Around is 7.5% of LD Market, Table 16.4 Estimates LD Market at $93.6B
Calling Card Revenues						3,900,000,000	IDC Report - U.S. Prepaid Calling Card Market Forecast and Analysis 2000-2005
Total Occasional Use Revenues						10,927,125,000	
Occasional Use Contributions @ 7.2805% (Assumed 50% Interstate Allocation)						397,774,668	
Estimated Fund Size 2001 (Ann. 4q01 Trend)	1,342,295,000	5,369,180,000				5,369,180,000	
Residual Fund Size						4,971,405,332	
Per Connection Charge						**0.82**	

* Data is from a large LEC data collection effort, rolled up to account for a 8.68% switched access share and a 2% special access share for small LECs, and a 10.2% CLEC share for switched access, and a conservative 28% CLEC share of special access.

Run 6 - Modified CoSUS (w/o BB and ISPs)

10/10/02

Service Category	Demand	Demand Annualized	Bandwidth Capacity Units	Access Units	Interstate Transport Units	Total Units	Notes
1-Way Paging	18,000,000	216,000,000	0.5	108,000,000	n/a	108,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
Asymmetrical ≤ 6Mbps	12,792,812	153,513,744	0.0	-	n/a	0	From FCC's High-Speed Data Report
Asymmetrical >6Mbps		-	0.0	-	n/a	0	
Services < 64 Kbps							
Centrex*	n/a	203,309,657	0.1	22,589,962	n/a	22,589,962	
Single-Line + Multi-Line Business (Excl. Centrex)*	n/a	513,983,919	1.0	513,983,919	n/a	513,983,919	Includes lines purchased by payphone providers.
Residential*	n/a	1,472,744,009	1.0	1,472,744,009	n/a	1,472,744,009	Assumed 80% Presubscription
Lifeline	6,158,579	73,902,948	1.0	n/a	n/a	0	Telephone Trends: Table 7.2, (80% presubscription assumed)
Residential Cable Telephony	1,500,000	18,000,000	1.0	18,000,000	n/a	18,000,000	http://www.ncta.com/industry_overview/indStat.cfm?indOverviewID=2
Wireless Telephony	128,374,512	1,540,494,144	1.0	1,540,494,144	n/a	1,540,494,144	7th CMRS Report - Table 1: CTIA Annual Mob. Tel. Ind. Survey
2-Way Paging	9,000,000	108,000,000	1.0	108,000,000	n/a	108,000,000	Total paging demand (18M) from 7th CMRS Report split 50%/50% between 1-Way and 2-Way paging.
Dial-Up ISP	54,500,000	654,000,000	0.0	-	n/a	0	http://dc.internet.com/news/article.php/2101_981831
Wireless Data	10,000,000	120,000,000	0.0	n/a	n/a	0	Demand from 7th CMRS Report, Conservative est. no access
Special Access ≤ 64 Kbps							
Special Access*	n/a	11,908,223	25	299,690,279	n/a	299,690,279	
Services > 64 Kbps, < 1.544 Mbps							
ISDN - BRI*	n/a	19,649,796	1	19,649,796	n/a	19,649,796	Consistent with FCC treatment of ISDN as a switched voice service, BRI should be assigned 1 capacity unit
Special Access*	n/a	4,262,631	31	133,562,430	n/a	133,562,430	
Services ≥ 1.544 Mbps, < 45 Mbps							
ISDN - PRI*	n/a	10,475,690	5	52,378,451	n/a	52,378,451	Consistent with FCC treatment of ISDN as a switched voice service, PRI should be assigned 5 capacity unit
Special Access*	n/a	21,475,029	38	805,313,569	n/a	805,313,569	
Services ≥ 45 Mbps							
Special Access, excluding SONET*	n/a	1,053,434	485	511,091,179	n/a	511,091,179	
OC3*	n/a	108,708	948	103,019,351	n/a	103,019,351	
OC12*	n/a	37,084	1742	64,587,262	n/a	64,587,262	SONET capacity units have been revised since SBC/BellSouth's original comments. In this model, Special Access Services are weighted relative to the interstate revenue associated with the service.
OC24*	n/a	3,384	2921	9,885,133	n/a	9,885,133	
OC48*	n/a	25,467	4100	104,414,835	n/a	104,414,835	
OC192*	n/a	714	9750	6,964,286	n/a	6,964,286	
Industry Bandwidth Capacity Units						**5,894,368,606**	
Dial Around Revenues						7,027,125,000	FCC Fact Sheet Dial-Around is 7.5% of LD Market, Table 16.4 Estimates LD Market at $93.6B
Calling Card Revenues						3,900,000,000	IDC Report - U.S. Prepaid Calling Card Market Forecast and Analysis 2000-2005
Total Occasional Use Revenues						10,927,125,000	
Occasional Use Contributions @ 7.2805% (Assumed 50% Interstate Allocation)						397,774,668	
Estimated Fund Size 2001 (Ann. 4q01 Trend)	1,342,295,000	5,369,180,000				5,369,180,000	
Residual Fund Size						4,971,405,332	
Per Connection Charge						**0.84**	

* Data is from a large LEC data collection effort, rolled up to account for a 8.68% switched access share and a 2% special access share for small LECs, and a 10.2% CLEC share for switched access, and a conservative 28% CLEC share of special access.

Methodology/Assumptions of SBC/BellSouth USF Model

I. Structure

The column labeled "Service Category" lists the major categories of services in service tiers.

The column labeled "Demand," captures demand data from 2001 for the various services, reflecting a "snapshot" of the number of connections in service. (Note: In cases where the Demand data is listed as "n/a," these data points were already annualized.)

The column labeled "Demand Annualized" contains data that represents the total number of service connections for a 12-month period.

The column labeled "Bandwidth Capacity Units" represents the weight assigned to each tier of service consistent with the service capacity tiers from the SBC/BellSouth Joint Proposal and as modified herein.

Next, the columns labeled "Access Units" and "Interstate Transport Units" capture the total number of capacity units assigned to the access and interstate transport connections that are typically involved for each type of service. These columns contain the number of annualized access or transport connections multiplied against the weighting factor, and adjusted for assumptions that may unique to the type of service (e.g. Dial-Up ISP connections are transport only). Because interstate transport data was unavailable to SBC/BellSouth, the interstate transport units were derived from the access component data.

Finally, the "Total Units" column is the sum of access and transport units that are associated with each type of service.

II. Data

SBC and BellSouth used various sources of data in the development of this model. The data sources that are publicly available are attached in Appendix A. In addition, SBC and BellSouth gathered additional data points (aggregated by a neutral third party) from Verizon, SBC Communications, Qwest, BellSouth, and Sprint in order to estimate the large LECs' share of demand for various switched and special access services.[1] These figures were then adjusted to account for reasonable shares (methodology described herein) for the small incumbent LECs and CLECs.

For the various services, certain additional assumptions were made. These assumptions are as follows:

1) One-way Paging

[1] The data points collected by the LECs are indicated by asterisks (*) in the various model runs. This data also includes data from Iowa Telecom.

Page 53 of the 7th CMRS Report indicates that there were approximately 18 million paging subscribers in 2001. This data, however, does not distinguish between one-way and two-way pagers. In the attached models, SBC/BellSouth assumed a 50/50 split between one-way and two way pagers.

(Note: Under SBC/BellSouth's model, one-way pagers have an access component, but not an interstate transport component. In addition, one-way pagers are weighted at a ½ capacity unit one-pagers only provide one-way "inward" access.)

2) High-Speed Data (Asymmetrical ≤ 6Mbps)

SBC used the figures from the FCC's July 2002 Report: "High-Speed Services for Internet Access: Status as of December 31, 2001," including all connections without respect to platform.

3) Centrex

SBC assumed 100% presubscription for Centrex connections, notwithstanding the alleged inability of IXCs to identify which connections are Centrex connections. As indicated above, the data that appears in the "access/transport units" columns are already adjusted by the 1/9 capacity unit applicable to Centrex for both the access and interstate transport components.

4) "Residential" Connections

This data is from the estimated demand provided by the large LECs, with an "gross-up" adjustment to include an 8.68% share for small LECs[2] and a 10.2% share for CLECs[3]. Because there is limited recent FCC data on the level of presubscription, SBC assumed that 80% of residential connections were presubscribed to an IXC, such that only 80% of residential connections have an associated interstate transport connection. (Note: This category does not include "single line business.")

5) Lifeline

Consistent with the Joint Proposal, access connections associated with Lifeline end users do not generate a contribution obligation for access connections. However, interstate transport connections do generate a contribution obligation. Lifeline presubscription, life residential presubscription was assumed to be 80%.

6) Single-Line/Multi-Line Business Connections

This data is from the estimated demand provided by the large LECs, with an adjustment to include small LECs and CLECs. As was the case with Centrex connections, SBC assumed 100% presubscription, notwithstanding the IXC allegations regarding the lack of information about business customers. Though this category also includes payphone lines, it does not include connection data from other business services specifically enumerated in the model.

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[2] Appendix A (attached) Table 8.3 "*Telephone Loops of Incumbent Local Exchange Carriers, By Holding Company*," 8.68% is the difference between 100% and the aggregate share by the large ILECs (highlighted in yellow)

[3] Appendix A, Table 1: "End-User Switched Access Lines Reported" (highlighted in yellow).

7) ISDN-BRI / ISDN-PRI

Consistent with FCC treatment of ISDN as a switched voice service, BRI should be assigned 1 capacity unit and PRI should be assigned 5 capacity units. Again, SBC assumed 100% presubscription, notwithstanding the IXC allegations regarding the lack of information about business customers.

8) Wireless Telephony

SBC assumed 100% of wireless connections bundle access and interstate transport connections. As such, each wireless connection contains one access unit and one interstate transport unit.

9) Two-way Paging

Page 53 of the 7th CMRS Report indicates that there were approximately 18 million paging subscribers in 2001. This data, however, does not distinguish between one-way and two-way pagers. In the attached models, SBC/BellSouth assumed a 50/50 split between one-way and two way pagers.

Two-way paging provides the paging customer with the ability to send and receive interstate telecommunications. Accordingly, two-way paging service has both an access component and an interstate transport component. In this model, each component was assigned one capacity unit.

10) Dial-Up ISPs

(http://dc.internet.com/news/article.php/2101_981831)

Dial-Up ISP's, based on the interstate data transport function they provide, are assessed one interstate transport unit. No additional access unit is assessed, because the end user is already assessed by the local exchange carrier providing that access connection.

11) Wireless Data

The 7th CMRS report indicates that there were approximately 8-10 million subscribers to wireless data services. SBC used the high-end figure of 10 million subscriptions, but did not assume an additional access connection. Not counting any access connections, SBC believes, results in a conservative estimate for the total number of units associated with wireless data services. In this model, wireless data providers were treated much like dial-up ISPs.

12) Special Access/SONET arrangements

The special access demand figures is an aggregation of large ILEC demand for interstate special access channel terminations, adjusted to account for 2% market share[4] of small ILECs as well as a CLEC market share of 28%.[5] SBC assumed that there would be a two-to-one relationship

[4] SBC/BellSouth believe that it is appropriate to gross-up special access demand for small ILECs, but believe that the 8.68% switched access gross-up (See FN3) may overstate small ILEC demand. 2% is intended to be a conservative assumption.

[5] Appendix A: "Appendix L. Estimating CLEC Special Access Market Share, *UNE FACT REPORT 2002*

between interstate special access channel terminations (access connections) and interstate transport connections. For each connection, the interstate transport component assumes an identical capacity bandwidth unit as the underlying access component. SBC/BellSouth were unable to identify situations where the interstate transport provider would sell interstate transport services of different bandwidth than the underlying access connection.

13) Dial-Around Revenues

According to an FCC Consumer Information Fact-Sheet, dial-around services constitute a 7.5% share of the total toll marketplace. Though SBC has some information to indicate that this share is growing, SBC applied this 7.5% to the FCC's data (Table 16.4, "Gross Revenues Reported by Type of Carrier" from the FCC's May 2002 "Trends in Telephone Service" report.) This report estimates the toll service marketplace to be approximately $93.6B in 2001.

14) Calling Card Revenues

SBC used estimates from IDC Report #25082, "U.S. Prepaid Calling Card Market Forecast and Analysis, 2000–2005" This data estimates $3.9B in revenues for Calling Card providers for 2001.

13) Estimated Fund Size 2001
(http://www.fcc.gov/Bureaus/Common_Carrier/Public_Notices/2001/da012083.doc)

This estimate ($5.369 B) is an annualized fund size, based on the fund size trend from the 4th Quarter - 2001.

III. General Approach

Consistent with the Joint Proposal filed at the FCC, SBC and BellSouth began by imputing revenue-based contributions for "occasional use" (non-connections-based) providers. Again, the assumed interstate allocation of these occasional use revenues was 50%, to which a contribution factor of 7.2805% was applied. This resultant figure was then deducted from the Estimated Fund Size for 2001, to derive a "residual fund size." This residual was then divided by the total industry bandwidth capacity units, which yielded a figure of $0.58.

IV. Description of the Various USF Model Scenarios

SBC developed six different scenarios, each resulting in a different "per-connection charge."

Run 1 – Original Joint Proposal

Capacity units assigned as proposed in the original Joint Proposal.

Run 2 – Modified Joint Proposal

Prepared for and Submitted by BellSouth, SBC, Qwest, and Verizon" CC Dockets 01-338, 96-98, 98-147 (April 2002).

Modified capacity tiers were calculated by comparing the interstate revenues generated by typical special access arrangements in the Southwestern Bell region and calculating a contribution obligation using the current USF contribution factor. We then compared the contribution obligation for various capacity special access services with the contribution obligation produced by the proposed bandwidth capacity units.[6]

(Note: The average interstate revenues for OC24 access arrangements were derived by taking the average between OC12 and OC48 access arrangements.)

Run #3 – Modified Joint Proposal (excl. BB and ISPs)

Similar to #2 above, but connections provided by ISPs, broadband providers, and wireless data providers are excluded from the contribution base.

Run #4 - CoSUS' Approach (SBC/BellSouth Data)

SBC and BellSouth data was used to calculate the business residual in the CoSUS approach.

(Note: Because the data collected by SBC/BellSouth includes single-line business connections in the "business" category, rather than in the "residential" category, Run #4 does not perfectly apply the CoSUS approach to the "residual" funding requirements.

Run #5 - Modified CoSUS approach

In this approach, there is no cap on residential assessment, no business/residential split, and interstate transport providers are exempt from contribution obligations. All broadband providers are still assessed on the access component that they provide, but not on the interstate transport component. (ISPs, because they provide only an interstate transport component, were not included in the contribution base.)

Modified CoSUS approach, excluding ISPs and broadband providers

This approach is identical to #5, except that the access components provided by broadband providers have been removed from the contribution base.

[6] A capacity unit of 38 was derived for special access services > 64 Kbps, < 1.544 Mbps. This capacity is the average between the capacity unit associated with a DS0 special access arrangement (25) and a DS1 special access arrangement (38).